

## MANAGEMENT LETTER POINTS

McCreary County School District  
Stearns, Kentucky

In planning and performing our audit of the financial statements of the McCreary County School District for the year ended June 30, 2014, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 12, 2015. This letter does not affect our report dated November 12, 2015, on the financial statements of the McCreary County School District. The conditions observed are as follows:

WHITLEY CITY ELEMENTARY

No conditions.

PINE KNOT INTERMEDIATE

No conditions.

PINE KNOT PRIMARY

No conditions.

McCREARY COUNTY MIDDLE SCHOOL

1-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: The principal will address this with staff and individuals who cause this condition in the future will lose their "fund raising" permissions.

McCREARY CENTRAL HIGH SCHOOL

No conditions.

McCREARY COUNTY PRE-SCHOOL

No conditions.

McCREARY COUNTY CENTRAL OFFICE CONCESSIONS

No conditions.

McCREARY COUNTY BUS GARAGE

No conditions.

CENTRAL OFFICE

2-15

Statement of Condition: During our testing of payroll, we noted I-9's and two supporting documentations for each employee file were inconsistent.

Recommendation for Correction: We would recommend management review all employee files to ensure they contain an I-9 and the required supporting documentation.

Management Response to the Recommendation: Management will reviewed personnel files upon completion of the new hire process for completeness and accuracy.

3-15

Statement of Condition: During our testing of payroll, we noted one employee who was paid more than their contract.

Recommendation for Correction: We would recommend the board be informed to make a decision as how to handle the overpayment.

Management Response to the Recommendation: Management will review changes made to the payroll system and tie back changes to the personnel file. Any changes made to the individual responsible for reviewing the file will be reviewed by an additional higher ranking person.

4-15

Statement of Condition: During our testing of cash and investments, we noted investments were not in compliance with Kentucky Revised Statutes Section 66.480.

Recommendation for Correction: We would recommend management review the KRS and change the investments as authorized in the KRS statutes.

Management Response to the Recommendation: Management is of the opinion the investment is in compliance with KRS 66.480. Said statute states “the governing body of a ...school district...may invest and reinvest money subject to its control...” The investments referenced in this finding are restricted monies with a donor stipulation that the earnings from the investments are to be used for scholarship purposes with the principle remaining untouched and unmoved. In essence the district is not in control of the principle.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We would like to add that we have seen a tremendous improvement from the previous year throughout all the schools in the area of internal control compliance.

The following is a repeat condition from the prior year: 1-15. All other prior year conditions have been implemented and corrected. Michael Cash, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 12, 2015